HENRY A. KISSINGER

May 12, 1982

Dear Bill:

I thought you might be interested in an address I am giving in The Hague on current issues in US-European relations. It focuses on two issues: nuclear strategy, and economic relations with the Communist world.

It is an effort to be helpful.

Warm regards,

Henry/cv

Henry A. Kissinger

The Honorable
William Casey
Director of Central Intelligence
Washington, D.C. 20505

Dictated but not read

As prepared for delivery

STRATEGY, TRADE, AND THE ATLANTIC ALLIANCE

ADDRESS BY THE HONORABLE

HENRY A. KISSINGER

INAUGURATING

THE GERI JOSEPH LECTURESHIP ON

PUBLIC AFFAIRS

WEDNESDAY, MAY 12, 1982

NIEUWE KERK

THE HAGUE

THE NETHERLANDS

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It is an honor to deliver the first Geri Joseph Lecture, and particularly to do so before so distinguished an audience.

The moment is appropriate for dialogue because the alliance of the democracies is in grave difficulty. A new generation on both sides of the Atlantic has no personal memory of the crises and dangers which gave birth to that alliance. It takes for granted the achievements which have produced nearly four decades of peace in Europe and, despite all current difficulties, unprecedented prosperity. That tradition of unity must be nurtured. If the democracies fail to stand together in a world increasingly inhospitable to democracy and liberty, they will first lose the coherence of their policies and ultimately their freedom.

The Atlantic Alliance has unfortunately been living off capital for too long. Alliance obligations have never required unanimity; up to a point, free peoples should be able to translate diversity into creativity. But we are no longer dealing with only occasional disagreements. There is almost no issue on which the allies are in accord--whether it is nuclear strategy, political and economic relations with the Soviet Union, Central America, or the Middle East. That situation cannot continue without impairing the security relationship which has maintained the peace in Europe and the world for a generation.

I am not here as a spokesman for the American Administration or for any of its particular policies. To be sure, many of its members are friends and former colleagues and I speak with some understanding of their dilemmas and considerable sympathy for their aspirations. I am here as a private citizen who has always believed passionately in the political and moral importance of the alliance of the democracies. In this spirit, I want to discuss two of the key problems in the European-American debate: nuclear weapons, and economic relations with the Soviet Union.

The Problem of Nuclear Weapons

That nuclear weapons have added a new dimension to warfare and indeed human existence, that they make obsolete traditional concepts of military victory, that they stake civilized life and perhaps humanity itself, is not a new discovery. Some of us have been warning for over two decades that excessive reliance on nuclear weapons would sooner or later lead to the psychological paralysis of Western defense strategy. Where we differed from much of the current agitation is in our rejection of unilateralism. We drew the conclusion that reducing dependence on nuclear weapons

obliged us to seek alternative means of defense, especially a build-up of conventional forces. The democracies' desire for peace must not be allowed to turn into a weapon of blackmail in the hands of the most ruthless.

In too many NATO countries, protests and mass demonstrations against nuclear weapons tend inevitably toward a unilateral psychological, and even physical, disarmament with respect to the very weapons upon which Western security has in fact depended. The impression is created that it is the Alliance's possession of nuclear arms--weapons which it did not use when it had an atomic monopoly and overwhelming superiority--which threatens the peace and which must be resisted. Little attention is paid to a whole series of aggressive or intransigent Soviet actions, from the dispatch of Cuban troops to Africa through the occupation of Afghanistan to the repression of freedom in Poland, which not only threatened the global equilibrium but are the proximate cause of the breakdown of strategic arms control negotiations in the 1970s.

Even less attention is paid to some basic facts of postwar history: that but for Soviet pressures in the immediately postwar period American troops would have been withdrawn from Europe in the Forties, as indeed they were from Korea; that but for the Korean war the US military budget would have shrunk to derisory levels; that it was the threat to the freedom of Berlin in the late Fifties which accelerated the American military build-up; that the Soviet strategic arsenal has grown and been modernized relentlessly since the Cuban missile crisis twenty years ago; that for a variety of reasons the United States stopped its numerical build-up in the late Sixties and slowed its modernization for the better part of the Seventies; and that <u>all</u> wars in the postwar period have occurred where there were <u>no</u> American forces and <u>no</u> nuclear weapons, while Europe under American nuclear protection has enjoyed the longest period of peace in its history.

For all these reasons, the clamor for peace in much of the West is in most respects addressed to the wrong governments. Unmatched as it is by comparable agitation in the East, it poses the danger that a psychological imbalance, indeed a form of unilateral disarmament, will compound the regional military imbalances which have already produced such a sense of insecurity in almost all countries around the periphery of the Soviet Union.

And yet the moral concern about nuclear weapons touches upon an issue crucial to our future: Mankind's newfound ability to exterminate itself makes new modes of thinking imperative. But they do not require a flight from concreteness; hysteria is a poor guide to policy. Moral concern must be coupled with a willingness to think through the central issues with a seriousness and in a detail that do justice to dangers as complex as they are enormous.

All consideration of the nuclear question must begin with this reality: Tens of thousands of nuclear weapons have been produced by the superpowers; hundreds by medium-sized countries; dozens by recent and possibly new entrants into the nuclear club. No scheme of disarmament could account for all these weapons. Nations would insist on residual forces to protect themselves against cheating, or against the fact that the factories that produced the weapons would remain, or, should by some improbable chance these too be destroyed, against the knowledge in the minds of men from which these factories and weapons sprang in the first place. Mankind cannot unlearn the secret of the atom. In other words, we are doomed to some kind of deterrence, equilibrium, or balance at some level and in some form.

For the immediate future--even assuming foreseeable reductions--that level will be quite high; the real issue before us will be the nature of deterrence, and its components. That problem is neither new nor the exclusive discovery of newly concerned groups in all our countries. Technology would have imposed a reconsideration of existing strategy in any event; the destructiveness of weapons was bound sooner or later to break the cocoon in which we suppressed the consciousness of our Promethean power. But the public outcry has had the healthy result of forcing governments into considerations that they should in fact have initiated; of coming to grips with the awesomeness of the choices into which they have slid because of their reluctance to face, and tell their publics, the implications of their own design.

Our current dilemmas are the result of the decision of all our postwar leaders to base security on technology--to compensate for an assumed Soviet superiority in manpower and conventional weapons by reliance on our nuclear arsenal. Stalin's aggressiveness was real enough. But from the perspective of a generation, it is possible to argue that the West was too ready to attribute a military edge to an adversary only recently devastated by war and 20 million casualties; that the NATO nations underestimated the significance of their own industrial potential and forgot--conveniently--that

in fact NATO's manpower is greater than that of the East. All these reflections are now academic. For the immediate future, the West is locked into the decisions of a generation; whatever conclusions we draw from the current realities and the concerns they generate, for at least a transitional period it will be nuclear weapons which inhibit aggression in Europe. The evasions of three decades cannot be remedied by proclamations but only by hard and dedicated effort.

The principal evasion was the refusal to face the fact that strategic nuclear weapons could continue to counter-balance local Soviet advantages only if the US strategic arsenal was clearly superior to that of the Soviet Union--superiority being defined as the ability to destroy the opposing nuclear capability at acceptable cost. That condition began to disappear in the Sixties. Technology tended toward equality, and to levels beyond which additional increments of destructiveness lose all relationship to the objectives likely to be in dispute. Under current conditions superiority to be meaningful would require an edge so large that no opponent would tolerate it and calculations so esoteric that few leaders will understand them or stake survival on them. Arms control theory and practice, with their formal emphasis on equality, only accelerated and legitimized this trend.

While all these changes were taking place Western governments and societies preferred to ignore the consequences of their own decisions. Logically, once the Soviet Union acquired the capacity to threaten the United States with direct nuclear retaliation, the American pledge to launch an all-out nuclear war on behalf of Europe was bound increasingly to lose its credibility and public acceptance, if not its sense--and so would the Alliance's defense strategy. For the strategy now rested on the threat to initiate mutual suicide. But governments continued the existing strategy, seeking to compensate by emphatic reiterations of all-out nuclear defense for the implausibility of their professions.

I made these points in a speech in Brussels in the fall of 1979; I was roundly criticized for allegedly undermining the crediblity of NATO strategy. Unfortunately, what I said was true and has now come to pass. For more than two decades it was obvious that US-Soviet nuclear parity would lead us--sooner or later--to this point. And for more than two decades, the West has hid its head in the sand and ignored the inevitable.

There was an occasional flirtation with a doctrine of limited nuclear war to restore some relationship between

policy and military power. In my early writings on the subject in the 1950s, I, too, was briefly tempted by that theory. The effort never got very far. Part of the reason was that from the European perspective, the distinction between limited and general nuclear war was not as clear-cut as on the American side of the Atlantic; a relatively few nuclear weapons could produce catastrophe and chaos difficult to distinguish from what only total war could do to America. Another cause was the polarization within the community of civilian experts between those who wanted to make nuclear weapons "conventional" and those who feared that governments could be kept from initiating a nuclear holocaust only by guaranteeing that nuclear war would be as gruesome as possible. Ironically, those circles usually advocating humane and progressive domestic policies generally insisted that nuclear strategy be aimed primarily at the mass extermination of civilians.

I continue to believe that in practice governments will be more careful than in their concepts. Indeed it is reckless in a nuclear world to pretend that any accident must automatically escalate into Armageddon. I hope that if the worst happens, governments will seek limits to the use of nuclear weapons--they will almost surely find them. Still, in all likelihood, the problem of limiting the use of weapons whose power has no operationally definable limit will find no acceptable consensus in advance; as a practical matter, failure to achieve a consensus over a period of thirty years is a pretty good working definition of the impossibility of developing in the abstract a strategy of limited nuclear war.

Unfortunately, many who opposed theories of limited nuclear war recoiled as well before the conventional military build-up which could have at least reduced or perhaps avoided altogether the local and regional Soviet superiority that gave rise to the reliance on nuclear weapons in the first place. The legacy we are left with is a precarious combination of a NATO reliance on nuclear defense, trends toward nuclear stalemate, growing nuclear pacifism, and continued deficiencies in conventional forces. If we are reluctant to resort to nuclear weapons, and if we continue to evade the necessity for conventional forces, the Western Alliance is left with no defense policy at all, and we are risking the collapse of the military balance in Europe that has made possible thirty-five years of European security, prosperity, and democracy. We will in effect have disarmed ourselves unilaterally while sitting on the most destructive stockpile of weapons that the world has seen.

Intermediate-Range Nuclear Forces in Europe (INF)

The debate over deployment of American intermediate-range nuclear missiles in Europe exemplifies the current confusion. Too often it has been portrayed as an American attempt to shift the risks of nuclear war to Europe or to use Europe as a forward base for strictly American purposes. This is absurd. To the extent that intermediate-range weapons are needed for American nuclear strategy at all--and this depends on the resolution of our own internal debate over the utility of a counterforce capability*--they can be deployed in various modes at sea. The real argument for placing intermediate-range nuclear weapons on the soil of the continent has always been two-fold: to reduce the possibility of selective Soviet nuclear blackmail against Europe alone, and to link the nuclear defense of Europe indissolubly to the strategic deterrent of the United States. Given the diminishing credibility of the threat of strategic war initiated from the United States, the argument is plausible that the Soviet Union might be tempted to exploit its preponderance of intermediate-range missiles for blackmail against Europe--reasoning that no American response with strategic weapons could alter the outcome. That danger is clearly diminished by the proposed deployment of intermediate-range weapons which would create the imperative of a certain automaticity in the response.

By the same token, the Soviet Union could not risk attacking Europe with conventional weapons without destroying our intermediate-range missiles also, lest they devastate Soviet command centers in a retaliatory blow. And it could not seek to destroy the missiles in Europe while leaving our strategic arsenal in America unimpaired for a possible strike against Soviet ICBMs. Far from giving us the possibility of separating the nuclear defense of Europe from that of the United States, intermediate-range missiles in Europe indissolubly link the two. They increase the risk to America, not to Europe; logically the public demonstrations against them should be on the American side of the Atlantic.

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* How much counterforce we seek depends on how much we wish to insure that we have an option other than the mass extermination of civilians. Abjuring counterforce has a price: The more we emphasize frightfulness in our strategy, the more we diminish its credibility in the circumstances most likely to arise and the less hedge we have against unexpected catastrophe.

If our European allies are not persuaded by arguments such as these, however, it would be wrong for us to insist on them--especially since, as I have said, we can deploy at sea the intermediate-range weapons we need for a purely American strategy. I believe that our allies should now decide that aspect of the requirements of their defense without further American hectoring. By the same token, our proposals in the INF talks should be made on their merits, independent of considerations of shoring up the domestic support for our deployment in various European countries. Such a course would restore balance to the transatlantic dialogue and, frankly, a sense of proportion to the domestic deliberations of our allies.

Renouncing the First Use of Nuclear Weapons

The issue of the intermediate-range missiles is a symptom, not a cause, of the current malaise over strategy. The real issue remains the need to gear our defense policies to the twin realities of strategic parity and mounting public concern over nuclear weapons. Recently a serious proposal to that end was made by a group of eminent Americans: Robert McNamara, McGeorge Bundy, George Kennan, and Gerard Smith, all of whom have held high office. Among other things, the views of these outstanding public servants should serve as a reminder to our European friends that if frustration reaches a certain point, American policy could shift drastically away from the now dominant trend.

I greatly respect these men, who advanced the thesis that NATO should renounce the first use of nuclear weapons and rely exclusively on conventional weapons for the defense of Europe--and *a fortiori* of other threatened areas. I share their objective that the West must disenthrall itself of the notion that it can substitute technology for sacrifice and destructiveness for effort. I cannot, however, agree with their declaratory policy, for four principal reasons:

A statement of no first use would leave us psychologically naked in the intermediate period that would surely extend over at least five years, even if our own government and all our NATO allies were prepared to make immediate, serious, and sustained efforts to redress the imbalance in conventional weapons. Of course, if the reaction of our allies were less enthusiastic about conventional rearmament than anticipated

by the authors, the psychological and military vulnerability of NATO would be magnified even more. Our leaders have an obligation to reduce their reliance on nuclear weapons; they must not do so, however, at the price of accelerating a trend of pacifism and panic that may invite Soviet nuclear blackmail. Much of the anti-nuclear agitation is, after all, directed against the West's non-nuclear weapons as well.

A formal pledge of no first use may well create, in addition, two seemingly contradictory dangers which increase the risk of war. If the Soviets should become convinced that the West fears nuclear war above all else, we may trigger one of the not infrequent reversals of Soviet strategic doctrine, from hints of abjuring first use to the reassertion that a war in Europe could never be limited to conventional weapons. All wars, it would then be argued (as at times it has in the past) will be nuclear--facing the West with the choice of surrender or the kind of war of which our countries will then be incapable as a result of years of renouncing and stigmatizing nuclear weapons.

Nor can we afford to create the impression that we would prefer a conventional defeat in Europe to the first use of nuclear weapons. The history of conventional warfare is filled with examples of battles in which numbers and equipment were roughly equal and yet victory was achieved by such unquantifiable factors as superior tactics, superior strategy, or superior leadership. For centuries wars have started between seemingly evenly matched forces. There is no blinking the fact that deterrence, when only conventional weapons were involved, has frequently broken down. And we probably could then not guarantee that we would live up to our no-first-use declaration. Faced with the collapse of Europe we might well reverse our proclaimed doctrine, thereby bringing about the worst of all possible outcomes: a failure of conventional deterrence and a nuclear war.

Finally, a no-first-use declaration would likely demoralize allies in other regions of the world or other friendly countries, large and small, not embraced by formal alliances and yet as dependent on American strength as they are vital to Western security.

With all these caveats, the authors of the no-first-use proposal have rendered an important service. While I cannot accept their prescription, they have correctly grasped the key challenge: As they point out, the West has no choice but to give greater priority to its conventional defense. As a practical

matter, it must be our policy to reduce reliance on nuclear war to the greatest extent possible, by creating other means to resist aggression.

This requires more than exhortations, however. The United States has abolished the draft; most of our allies have reduced their terms of compulsory military service; everywhere military budgets are under pressure from increasingly insistent social demands. If we are serious about seeking to reduce the danger of nuclear weapons, we must be serious as well about military efforts in the conventional field, and must face up to the question of the adequacy of our military budgets and volunteer armies.

Strategic Arms Limitation and Reduction

It has been NATO policy since at least the Harmel Report of 1967 that the Atlantic Alliance has two main functions: to maintain the collective defense, and to seek a more stable relationship with the East by willingness to resolve political problems through negotiations. Arms control has had a crucial role in this effort. Public support for defense and for resistance to Soviet challenges can be sustained in the democracies only by demonstrating that the West is not the cause of confrontations. We have seen in recent years that failure to observe this maxim generates massive pressure groups that then exact perhaps excessive concessions from governments belatedly recognizing their impact and suddenly eager to placate them.

To be effective, arms control must be seen as a component of security policy. Experience shows that it can ratify or stabilize a military balance, not serve as a substitute for it. Indeed, it is the stable military balance in Europe that has made possible several decades of efforts to ease tensions with the Soviet Union. If arms control comes to be perceived primarily as an exercise in moral virtue--either because advocates turn demagogic or governments self-indulgent--it becomes a form of self-paralysis. The premise of arms control must be that security can be enhanced if the balance is maintained at lower, agreed, and verifiable levels of forces.

This is why so much hope has been attached for over a decade to US-Soviet talks on strategic arms control and why President Reagan has reaffirmed the commitment of all of

his predecessors to limiting these weapons of mass destruction, giving special emphasis to reductions. And that is why there have emerged the various freeze proposals now under active discussion in the United States.

President Reagan's commitment to strategic arms talks marks a watershed in the American domestic debate. For nearly a decade, disputes over strategic weapons limitation have torn our domestic consensus, becoming symbolic surrogates for larger controversies over policy towards the Soviet Union. Arms control negotiations over the years have been buffeted by debates between competing philosophies sometimes only indirectly touching upon the details being negotiated. Advocates have made exorbitant claims and insisted on separating arms control from all other aspects of policy; opponents saw in them a serious weakening of Western will power and concentrated on portraying the inherent balancing of relative advantages as unilateral concessions. President Reagan, by proposing and entering a negotiation over strategic arms reduction, will have liberated our domestic debate and permitted a serious public discussion of the real issues of arms control. The delay in starting the talks, legitimately needed for preparation, is a small price to pay for opening up prospects of a successful conclusion that were not available to either of his two immediate predecessors.

There exists, then, an unprecedented opportunity. Frustration with the apparent slow pace of diplomacy and the desire for a dramatic breakthrough have produced various proposals for nuclear freezes. Experience has shown, however, that it is easy to formulate general objectives in arms control negotiations; it is much more difficult to negotiate a meaningful outcome whatever principle is finally adopted. We have, after all, the experience of the two SALT agreements which were both essentially a kind of numerical freeze. Complex negotiations went on for years over what weapons to count; how to relate multiple warheads to individual delivery vehicles; and how to relate either to airborne weapons of mass destruction. Attempting a freeze now would encounter all the old SALT dilemmas--for example, of where to draw the dividing line between "modernized" and "new" systems. Who can forget the Soviets' attempt to define all of their replacement weapons as only "modernized" and hence permitted, while all of ours were said to be "new" and hence proscribed? In short, a freeze requires a baseline; by itself it is no advance over the results of the SALT process which already exists.

The Administration, in an important speech by President Reagan last Sunday, has countered by proposing a strategic arms

control scheme based on reductions. This surely addresses the concerns of many who express unhappiness at the scale of nuclear arsenals. And the Administration is also dealing with what is the real heart of the matter, namely crisis stability, or diminishing the danger of the outbreak of nuclear war. For if the reductions are merely numerical, without concern for the composition and nature of strategic forces, they could increase instability rather than ease it. After all, the overwhelming new problem in the strategic field is the existence of multiple warheads on strategic missiles. Even if the launchers on both sides are exactly equal, the disproportion between the number of attacking warheads and the number of launcher/targets represents a standing temptation to strike first. Reductions do not automatically change the disproportion. In fact, at some levels reducing the number of missiles without changing the proportion of warheads to missiles increases the vulnerability of the missiles attacked; a first strike is simplified. The Reagan Administration is surely on the right track in striving for a proposal that combines reductions with restrictions on other characteristics of weapons to inhibit, rather than ease, a surprise attack.

But it is also true that such a process is enormously time-consuming, not only in elaborating our own position but in negotiating an agreement with the Soviet Union. It took years of SALT negotiations to agree on numerical limits on launchers; the negotiations now envisaged are infinitely more complex.

The gap must be bridged. There is an urgent need to demonstrate to our publics that both sides are serious about getting the arms race under control. Otherwise careless "quick-fix" solutions are likely to dominate the field. In my view, the existing SALT framework may be useful in providing the baselines from which to negotiate over the complex reductions that our Administration is in the process of developing. At the same time, we must take seriously the concerns expressed in the Senate debate on ratification of SALT II. On that occasion, I supported ratification if three conditions were fulfilled: first, if a major defense build-up were undertaken to restore the military balance; second, if certain amendments were made and if specific ambiguities, particularly in the accompanying three-year Protocol, were cleared up; and third, if the United States made clear the linkage between SALT and Soviet geopolitical conduct. Some Senators, led by the then minority leader Senator Howard Baker, stressed the importance of maintaining

the American right to build heavy ICBMs such as the Soviet Union already possessed in large numbers.

These are valid concerns, and I believe that we are at a stage where they can be met. The Reagan Administration's re-armament effort will in time balance the Soviet build-up; it is urgently needed--but in any case, the Administration has voluntarily kept it within SALT II limits. The Protocol has been overtaken by the passage of time. (The interval foreseen for it is ending in any case.) We could therefore proceed to an interim agreement using the SALT framework or, as some former opponents of the treaty such as Senator Sam Nunn have indicated, ratify the SALT II treaty. I would lean to that course, with the following additions to the existing SALT framework:

--First, spelling out an American right to build heavy ICBMs equivalent to the Soviets'. My impression is that the MX, which is permitted under the treaty, meets all current American objectives (and also that it raises enough problems of deployment in its own right). It is therefore unlikely that we would build an even heavier missile. Still, a treaty that deprives the United States of the formal right to aim for equivalence with the Soviets raises serious problems of equity. Alternatively, we could offer to trade reductions or even elimination of the MX for similar restraints on the Soviet heavy missile, the SS-18.

--Second, lowering the ceilings below the limits established by SALT II to around 2000-2100 strategic delivery vehicles. This would symbolize a commitment to reductions.

--Third, extending the agreement's duration to 1987, instead of 1985--to be superseded by a reduction agreement, of course, if concluded earlier. This would provide time for the agreement to be reflected in the weapons decisions of the parties and a sense of security for the comprehensive reductions and qualitative restrictions our Administration is properly seeking.

Reverting to the framework of SALT II as a point of departure for an interim period may seem to some to reopen partisan wounds. The answer is that the Reagan Administration is in fact observing the numerical limits agreed in SALT II. I have great difficulty understanding why it is safe to adhere to a non-ratified agreement while it is unsafe formally to ratify what one is already observing. The Soviets may in fact prefer such a posture, all the more so as non-ratification gives them at least 250 extra delivery vehicles which they would be obliged to destroy by the terms of the treaty once ratified.

I stress that these are the ideas of a private American who on this subject has had next to no access to Administration thinking. But it seems to me a reasonable way to end the current impasse, establish a baseline for later reductions, and end the agitation for quick fixes reflecting more passion than analysis.

But no step forward toward arms control will advance us decisively toward a stable peace unless we are willing to confront two corollaries. First, we must always keep in mind that any agreement on limiting or reducing strategic weapons will further undermine the credibility of a strategy based on their use. It thus reemphasizes the urgent need to redress the imbalance in conventional forces. Western governments must not use an agreement as an excuse to slacken their defense effort but to redirect it. Or else SALT, or START, or any other acronym, will multiply our perils. We should be prepared to pay the price of a further conventional build-up; we must not pretend that there is no price.

Second, important as arms control is, commitment to it must not obscure the basic reality: as a general principle arms do not cause political tensions; they reflect them. It cannot be in the interest of the West to permit the Soviet Union to use arms control talks as a safety valve to avoid the consequences of aggressive behavior. In the past decade, almost every Soviet aggressive move has been followed by an offer to accelerate arms talks. In the long run, the Soviets may be misled into believing that they can safely challenge the global balance and escape the consequences by conciliatory rhetoric. Even as we insulate arms talks to some degree from political discussions, we must never forget that the cause of tensions is the political conflict between East and West, the clash of philosophies and the Soviet effort to expand its power and its sphere. Sooner or later there must be a settlement of this political conflict or all subsidiary negotiations will ultimately become irrelevancies.

Thus, the deeper challenge to Western leaders is whether they are willing to face complexity; whether they can educate their peoples to the knowledge that passion can give an impetus but only analysis can produce results, that arms control cannot survive in conditions of permanent geopolitical challenge: whether, in short, the democracies can muster the discipline and the cohesion for facing their perils with a sense of purpose instead of running from them in confusion and division.

Economic Relations with the Soviet Union

The allied disputes over security have had their origin in European initiatives; those over East-West trade have received their impetus from America. Two successive American administrations have vainly sought European support to restrict East-West trade by proscribing the sale of certain commodities or interrupting long-term projects such as the gas pipeline, first over the Soviet invasion of Afghanistan, then over the suppression of liberty in Poland. The resulting disagreements have left an unfortunate residue: In America, many believe that our European allies subordinate long-term strategy and even security to short-term domestic politics; in Europe, many argue that America seeks to play for geopolitical stakes with European chips, risking the domestic cohesion of friendly countries over issues with respect to which we ourselves are not prepared to make equivalent sacrifices, as the lifting of our grain embargo suggests.

Let me make a few observations.

Pressures for East-West trade grew in the late Sixties and early Seventies--ironically in the wake of the Soviet invasion of Czechoslovakia. It was argued in some quarters that despite occasional Soviet transgressions, increased East-West trade would moderate Soviet behavior by making the USSR increasingly dependent on the technology and grain of the industrial democracies. The American administration then in office, in which I served, held from the first that trade should follow prior demonstrations of Soviet commitment to a more peaceful course and should be linked to Soviet international behavior. When the Soviet Union entered into serious negotiations on Berlin, SALT, mutual force reductions and other matters, the United States gradually lifted restrictions, on a case-by-case basis and tied to specific projects. Our European allies followed in our wake and, when Congressional restrictions intervened, far surpassed us in both the scale of their trade and credit and the ease with which they made it available.

Whatever the merit of the original theories, it is now clearly demonstrated that trade and credits can moderate Soviet conduct only if the Kremlin fears that intransigence will cost it the economic benefits it seeks. Yet that is what is most insistently rejected by the domestic interest groups in all countries which gain from East-West trade and by the Western governments which they influence. More and more, the governments of the industrial democracies act on the premise that the immediate gains in employment outweigh the political risks in strengthening a hostile and aggressive political system.

This is all the more shortsighted, as a mounting tide of radicalism and insecurity in the world--the inevitable consequence of a growth of Soviet power unrestrained by some agreed code of conduct--will sooner or later compound all economic difficulties as well.

There is little doubt that over the past decade the negotiating balance in East-West trade has been reversed. In every crisis, the West invents new excuses why it would be inappropriate to interrupt economic relations, including the totally contradictory propositions that "sanctions never work" and "sanctions are tantamount to an act of war"--the last an especially dangerous legitimization of Soviet blackmail should economic sanctions ever prove unavoidable. Economic relations, indeed, have done much more to induce Western restraint in the face of Soviet misconduct than to encourage Soviet restraint in its international behavior.

The inequality in bargaining positions is almost entirely the result of the disunity of the democracies. Theoretically, trade occurs only when it is to the mutual benefit of both sides. But the division of the benefits is the subject of bargaining; overdependence on one market or one seller tilts the balance, especially when a centrally directed system faces a group of countries competing with each other. This is precisely what is happening in East-West trade. The USSR deals with its opposite numbers in the West through a purchasing commission, a single unit subject to strict political direction. The West is divided into competing units sometimes prevented by anti-trust legislation from acting together and often encouraged by national governments which seek special benefits for their national industries by concessional credits. Loans have been offered or encouraged with little or no consideration of Soviet or East European ability to use or repay the funds. Default is avoided by "rescheduling," that is, lending more money to pay interest on what are in effect bad loans--protecting the lenders' balance sheet. In these circumstances it is easy for the Kremlin to play off the Western countries, and even industries, against each other, obtaining benefits not justified by the economic balance of advantage, much less by political circumstances. Against all traditional expectations the "debtor's" bargaining position improves with his inability to repay his debts.

The result has been an anomaly. By any objective analysis, the Soviet Union and its satellites are infinitely more dependent on East-West trade than their trading partners, the industrial democracies. The Soviet Union cannot feed itself without the non-Communist world's grain; it desperately needs Western technology. The typical Western product for sale in the East contains new ideas; what the Soviet Union has to offer in

return is raw materials--products which contain no conceptual input. The inequality in benefits would long since have reduced trade to a trickle had not Western governments stepped in with direct or hidden credits, which now amount to nearly $90 billion for the Communist world. In addition, many export prices are subsidized by governments directly or indirectly The Communist countries thus are not only gaining a relative advantage in trade but they are being financed by the nations against whom they are simultaneously conducting a geopolitical offensive. Lenin's dictum that capitalists would compete to sell the rope with which they are to be hanged is coming true with a vengeance--for Lenin never guessed that Western governments would provide the money to buy the rope and subsidize the price to facilitate the purchase.

It is unthinkable that the West should continue to use its overwhelming share of the world's economic power so frivolously. We are on the defensive not because we lack resources but because we have failed to muster the will or the leadership to organize a coherent response. We have tried stop-and-go sanctions. They have failed because they affected various countries and different sectors of the economy unequally. And it was difficult to relate them to a concrete political program or to determine under what circumstances they might be ended. They have turned into pinpricks dramatizing the West's weakness rather than its mastery of the situation.

The issue has further been clouded by the extreme manner in which the choices have been stated. Some opponents of East-West trade intimate that a total denial of economic benefits will force the collapse of the Soviet system. This theory is disproved by history. The Soviet system survived several decades of economic isolation and did not crumble. And it runs counter to the domestic pressures for seeking negotiations on a broad front. The last 18 months show that the Alliance will not sustain a policy of confrontation for its own sake unrelieved by any hope of diplomatic progress.

But the opposite theory, of the automatic mellowing effect of trade, has also been demonstrated to be fallacious. Soviet behavior in recent years has given the lie to the argument that trade and credits by themselves will bring about the benign evolution of the Soviet system. Soviet/Cuban intervention in Angola, in Ethiopia, and in South Yemen; the invasion of Afghanistan; the suppression of Solidarity in Poland; and the use of toxic chemical and biological warfare in Afghanistan

and Southeast Asia have all occurred in precisely the period of expanded East-West economic cooperation.

If the democracies continue to make available their hard-earned resources for an assault on the geopolitical balance, they must not be surprised at the inevitable decline in their security and prosperity. It simply cannot be beyond the political imagination and will of the democracies to exact a penalty for intransigent and aggressive Soviet conduct. Or, to put it positively: So long as the Soviet Union asks us for help in solving its economic problems by what amounts to Western aid, the industrial democracies have the right and indeed the duty to insist on restraint and stability in international conduct in return.

The industrial democracies are in a position to use their economic strength positively and creatively. There exists a sensible rationale for East-West trade, which is neither unrestricted economic warfare nor uncontrolled Soviet access to Western trade, credit, and technology. If the democracies cannot concert unified political criteria, they should be able at least to agree on letting market conditions determine the level of East-West trade and credit. If government-guaranteed credits and subsidies were to end, East-West trade would be reduced to the level of reciprocal economic benefit--or a small fraction of what now exists. If the Soviets want to go beyond this--if they seek credits or subsidized prices--the West should insist on a political quid pro quo.

To this end, the industrial democracies should jointly take the position that they are prepared over the long term to engage in economic cooperation even on an augmented scale if, but only if, there is in return a comprehensive political understanding providing for settlement of the most serious outstanding problems, specific restraint in superpower conduct, and major steps toward arms reduction. The conditions should not be pious platitudes but should be spelled out in concrete detail. Nor should we delude ourselves: This cannot be achieved without a period, perhaps of some years, of disciplined coordination and restraint among the democracies to convince the Soviets that we are serious. Specifically:

--The democracies should start by clarifying and specifying their objectives in the political area to provide clear-cut criteria for progress. This could be embodied in a declaration that the West conceives its relations with the Soviet Union to go deeper than purely technical or economic exchanges. The most important message would be that the industrial democracies propose to speak with the East with one voice on economic issues and that they will demand political reciprocity for governmentally-encouraged trade.

--Second, there should be an urgent review and modernization of the list of prohibited strategic exports together with a determination to stick to it.

--Third, democracies should examine at the highest level on what political terms the Soviet Union and the nations in its system will enjoy governmentally-supported access to Western trade and financial resources. Policies on export credits and financial guarantees should be reviewed periodically, based on a commitment to establish a common and non-competitive policy among all OECD members.

--Fourth, the democracies should agree to end progressively all government subsidies and guarantees for private bank credits to Eastern Europe. Given the nearly catastrophic performance of Communist economies, the marketplace would determine the proper flow of private credit, probably to restrict if not eliminate it. The same principle should apply to subsidized prices.

--Concurrently, there should be an agreement that rescheduling of existing debts will be heavily influenced by behavior of the countries concerned, especially in the field of foreign policy but including an end of martial law in Poland.

--Fifth, an urgent review of the grain export policy of the major grain-producing nations to determine how it can serve the strategy sketched here without undue hardship to the farmers in all our countries.

--Finally, there must be a consensus among the democracies as to what form of expanded economic cooperation we are prepared to undertake with the Communist world if this strategy of Western economic coordination leads to a broad East-West political understanding.

The Versailles summit would seem to provide a useful forum to begin such a process of coordinating and unifying the policies of the industrial democracies.

It may be argued that these measures are utopian; that the West will never muster the discipline and mutual confidence for such a course. But what these measures suggest is in the long-term interest of both East and West. It discourages Soviet adventurism grounded in the belief that the West is too weak, too selfish, or too divided to defend its interests with its best weapons. It thus forces the Soviets to make real choices at a time when their succession struggle will

inevitably involve an internal debate over priorities and a possible desire to ease outside pressures. If it leads to the sort of political settlement that precludes later reversal, trade and credit can safely be expanded. If such a settlement is unattainable, continuing our present trade and credit practices will in effect accelerate our crisis. In that case, future generations will not be able to explain what possessed their predecessors to engineer their own decline by lassitude, greed, and lack of leadership.

If the industrial democracies wish to subsidize their exports by easy credit or pricing policies, the creative area for such efforts is not in the Communist countries but in the Third World--especially among its moderate, market-oriented governments.

Conclusion

Existing trends may sometimes appear bleak, but let us not forget that they are the result of decisions by free societies and can therefore be reversed by free decisions. For if we use our intelligence and consider our potential, we have every reason for hope. The Soviet Union is a system with no legitimate method of succession, a stagnant economy, a demographic challenge in the growth of its non-Russian population, and ideological claims whose bankruptcy is being proven by the working class of Poland in the streets of Polish cities. The joke of history is that the only spontaneous revolutions in industrialized countries have been against Communist governments.

A system that feels so threatened by even the most elementary liberties, a system so structurally unsound and inefficient, so patently contrary to the human spirit, can prevail only by our inadequacies, not by its own efforts. The West, which over centuries has shaped a great civilization--of culture, philosophy, inventiveness, and well-being--must not now abdicate control of its own destiny to short-term calculations. Democracy requires above all clarity of thought, fortitude, and leaders willing to present the facts to their people and prepared to deal with complexity. If our problems were simple, they would long since have been solved. The statesman always faces the dilemma that he must approach his goal in stages;

he is responsible not only for the best that can happen but also for the worst. Perfection will therefore elude him at each stage; demagogues have no great difficulty attacking any step by comparing it with some conjectural utopia. But democracy cannot survive if debates are driven by such attitudes. It is a disservice to serious moral concerns to pretend that there is no practical dimension, just as it falsifies practical solutions to separate them from their moral content. There is no room for self-righteousness on either side of the Atlantic or within any of our countries. Any real progress, therefore, must begin within ourselves. Our values are worth defending; our unity remains a moral as well as political necessity. If we muster that much faith and purpose, liberty will thrive and the future will be shaped by the free.

Thank you.